GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3657
ANSWERED ON:27.04.2007
INTEREST RATE OF EDUCATION LOAN
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Will the Minister of FINANCE be pleased to state:

(a) the rate of interest being charged by the nationalized banks and the private banks on education loans;

(b) whether the rate of interest has been increased recently by the banks;

(c) if so, the details thereof;

(d) whether the Government proposes to reduce the rate of interest on education loan;and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PA WAN KUMAR BANSAL)

(a), (b), (c), (d) & (e) : The interest rates on advances have been deregulated by Reserve Bank of India(RBI) and banks are free to fix the rate of interest themselves with the approval of their Boards. Banks have been advised to fix their Bench-mark Prime Lending Rate(BPLR) after taking into account cost of funds, transaction cost, risk factor, margin and other overhead expenses. However, as per Model Education Loan Scheme, 2004, the banks are to charge interest on education loan up to Rs.4 lakh at BPLR and above Rs.4 lakh at BPLR+1 per cent.